

**SAF Tehnika**  
**Consolidated Interim Report**  
**for 12 months and Q4**  
**of financial year 2013/14**  
(July 1, 2013 – June 30, 2014)

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## KEY DATA

SAF Tehnika (hereinafter – the Group) is a telecommunications equipment company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission covering wide frequency range and providing equipment for both licensed and un-licensed frequencies.

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to more than 100 countries, covering all relevant market segments worldwide within just a decade.

The complete product range offers solutions to mobile network operators, data service providers, and government and private companies. Since its establishment in 1999, SAF Tehnika competes with such multinational corporations as Ericsson, Huawei, Alcatel and NEC.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary “SAF North America” LLC and a joint-venture company “SAF Services” LLC where the Parent holds 50% of the company’s shares. Both of the mentioned companies are operating from Denver, CO serving North American market.

SAF Tehnika JSC is a public joint stock company incorporated under the laws of the Republic of Latvia. The shares of AS SAF Tehnika are quoted on NASDAQ OMX Riga.

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## Share and Shareholdings

### SAF Tehnika shareholders (over 5%) as of 07.04.2014

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%
Vents Lācars	6.08%
“Koka zirgs” SIA	5.27%
SWEDBANK AS clients account	5.02%

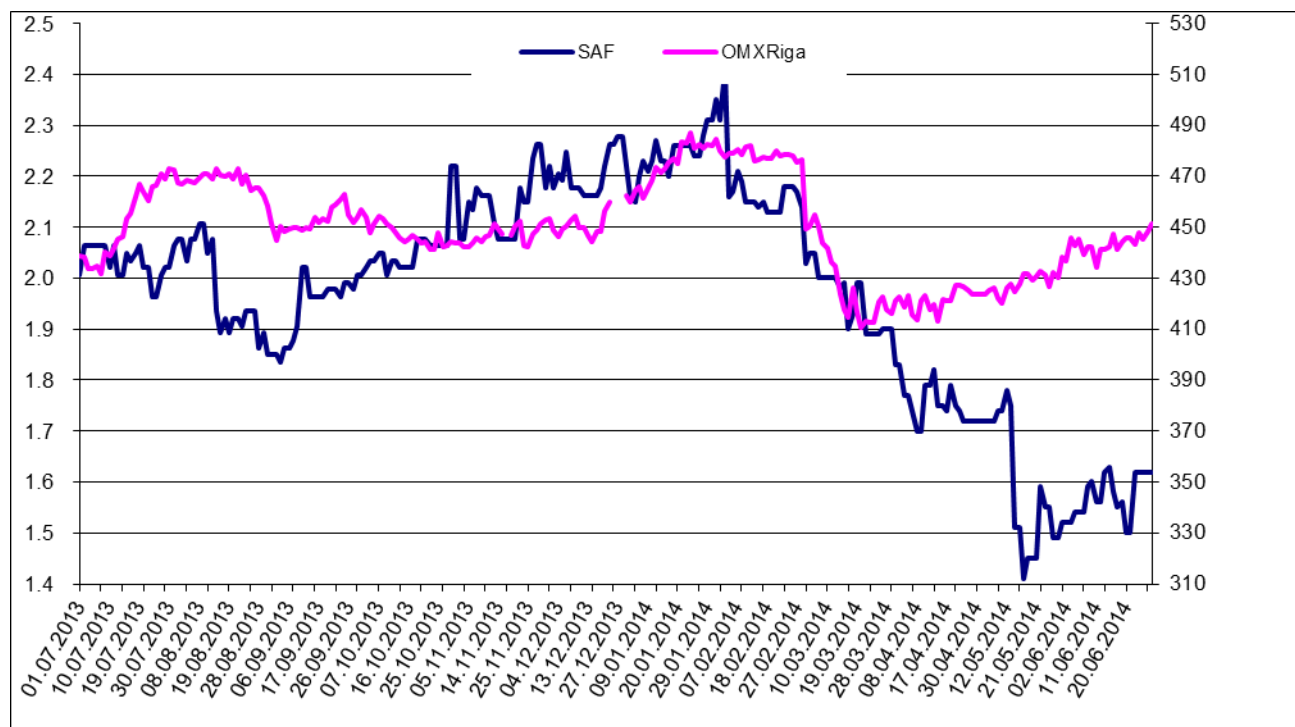
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2013 – June 30, 2014

Currency: EUR

Marketplace: NASDAQ OMX Riga



## Information on management and supervisory board members

### SAF Tehnika Management Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Member	owns 17.05% of shares
Aira Loite	Member	owns 0.26% of shares

### SAF Tehnika Supervisory Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aivis Olsteins	Member	owns no shares

## **Information on professional and educational background of the management board members**

### **Normunds Bergs**

Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika AS. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika AS) where during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following SIA Fortech's merger with AS Microlink in 2000, Mr. Bergs became Chief Executive Officer of SAF Tehnika AS and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he held the position of General Director and became a Member of the Board of Directors in 1998. Mr. Bergs graduated from the Riga Technical University with a degree in radio engineering in 1986.

### **Didzis Liepkalns**

Didzis Liepkalns, born in 1962, is Member of the Board and Technical Director of SAF Tehnika. D. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika AS in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

### **Aira Loite**

Aira Loite, born in 1965, Member of the Board and Chief Operating Officer of SAF Tehnika. Prior to joining the company in November, 2007, she worked for SIA Lattelecom (2006/2007) initially as a Business Performance Director and later as a Director of Business Information and Control division. From 2000 till 2006 she held the position of the Head of Finances and Administration of SIA Microlink Latvia being the Board member as well. From 2004 till 2005 she was Chief Financial Officer of Microlink Group. A. Loite has graduated University of Latvia with a degree in applied mathematics in 1988. She has the degree of Master of Business Administration by the University of Salford (UK) in 2009.

## **Information on professional and educational background of the supervisory council members**

### **Vents Lācars,**

born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars has studied in Faculty of Physics and Mathematics, University of Latvia.

### **Juris Ziema,**

born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.

### **Andrejs Grišāns**

born in 1957, is Member of the Supervisory Council and Production Department Manager. A. Grisans is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. A. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

### **Ivars Šenbergs,**

born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, SIA Namipasumu parvalde, SIA Synergy Consulting, SIA IŠMU, SIA Dzirnavu centrs and Member of the Supervisory Council of AS MFS bookkeeping. From 1999 until 2000 he worked as Finance and Administrative Director at SIA Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986..

### **Aivis Olsteins,**

born in 1968. A.Olsteins has 20 years of experience in telecommunications. He is CEO of a company "DataTechLabs" since year 2000. The company provides software development and support services for telecommunication operators. From 1992 till 1999 he worked in Baltcom TV, initially as a system engineer in Cable TV operations department, from 1994 till June 1996 as a CTO, but from July 1996 till the end of 1999 as technical advisor to General Manager. A. Olsteins is studying in University of Latvia in Faculty of Physics and Mathematics, bachelor of Physics program.

## Statement of Board's Responsibilities

The Board of SAF Tehnika JSC (hereinafter – the Parent) is responsible for preparing the consolidated financial statements of the Parent and its subsidiaries (hereinafter - the Group).

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 30 June 2014 and the consolidated results of its financial performance and cash flows for the quarter then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2013.

Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Board of SAF Tehnika JSC is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board is responsible for compliance with the requirements of normative acts of the countries the Group operates in (Latvia and United States of America).

The interim financial statements have been prepared in Euro.



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Aira Loite

COO, Member of the Management Board



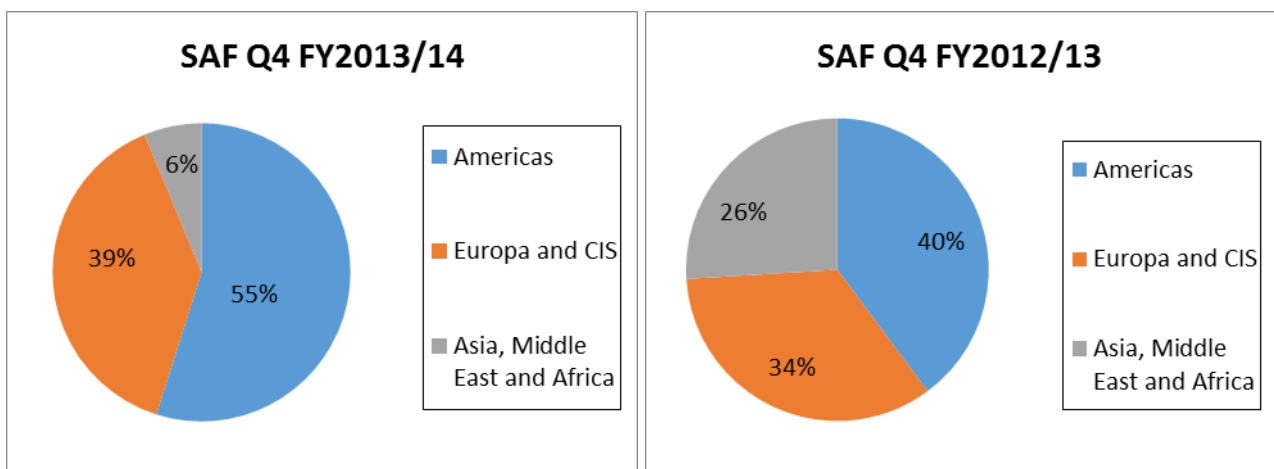
## Management Report

The Group's non-audited net sales for the fourth quarter of financial year 2013/14 were 3.46 million EUR, increasing by 4% or 0.12 million EUR compared to the fourth quarter of the previous financial year and being by 1.14 million EUR more than sales in the previous quarter – Q3 of FY 2013/2014. This was the best quarter in terms of sales for the reporting financial year. Although number of orders had increased the Group was able produce and deliver SAF's products in competitive terms. Besides additional revenues were generated developing specific functions for SAF Tehnika products on particular customer's requests and providing technical consultations for network planning and building.

Sales in Americas formed the largest part - 55% of the turnover in Q4, amounted to 1.9 million EUR and was 52% more than in Q4 of previous financial year. Sales in Europe and CIS region increased by 26% comparing with the 4th quarter of the previous financial year and formed 39% of the quarterly sales. The large fall in the quarterly sales comparing year-to-year was from sales in Asia Pacific, Middle East and Africa region where sales dropped by 73% or by 597 thousand EUR. The Group is looking for the most appropriate sales strategies for particular countries in order to regain previous sales levels.

The Group actively worked on promotion of SAF Tehnika products - in particular for new next generation high performance point-to-point licensed microwave radio platform *Integra* product line, microwave spectrum analyzer *Spectrum Compact* and CFIP series radios. As main events RF Technology Days in Mechelen, Belgium, NAB 2014 in Las Vegas, USA should be mentioned. Besides SAF North America organized six roadshows across the US to present and promote the *Integra*.

Chart 1. Quarter 4 revenue breakdown comparative charts:

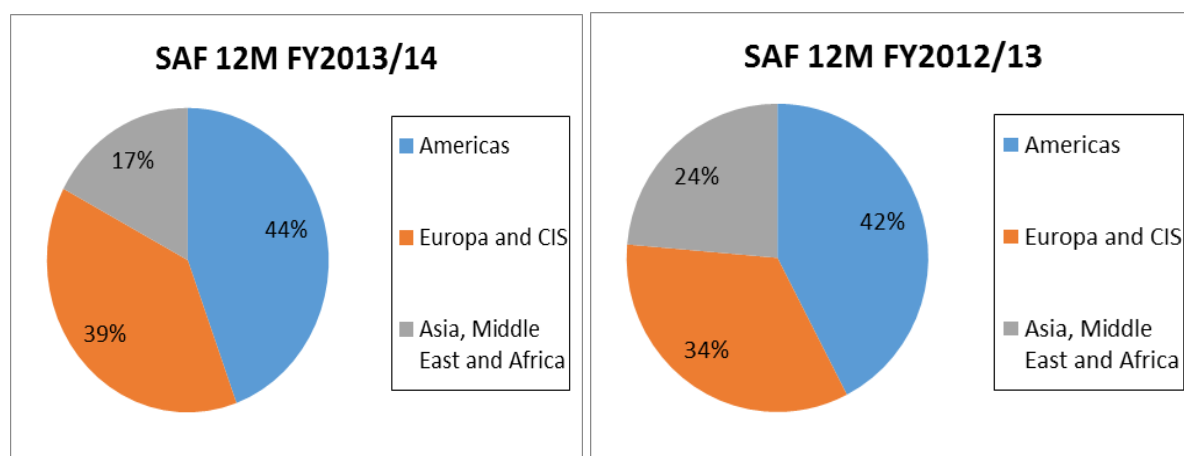


The Group's products were sold in 54 countries during the reporting quarter.

The largest part of sales in FY 2013/14 represented CFIP products where *FreeMile*, *Lumina* and *Marathon* were sold the most. Upward trend was seen for *Spectrum compact*, low latency repeaters and new *Integra* products. The Group continued to develop *Integra* product line by widening frequency range and adding new features with reference to market demands and technology developments.

The Group’s consolidated non-audited net sales for the 12 months of the financial year 2013/14 were 12.03 million EUR representing a year-on-year decrease of 9.86%. Europe and CIS region sales were by 2% higher than previous year, but this increase did not compensate 34% decrease in sales in Asia, Middle East and Africa countries where competition in the wireless backhaul equipment market remains fierce and vendors are squeezed by price wars. Americas result was by 0.3 million or 6% worse than year before.

Chart 2. 12 months revenue breakdown comparative charts:



The Group is constantly looking for options to decrease product, production and other costs with the aim to increase competitiveness in the market. As a result the Group’s operating expenses for FY 2013/14 were in budget limits and by 10% less comparing with FY 2012/13. Should be noted that the Group’s participation in several international exhibitions and product development partially were co- financed by EU “Europe regional development fund”. The total assigned co-financing amounts to 298 thousand EUR for the reporting financial year.

SAF North America, the Parent’s 100% owned subsidiary in USA, continued to provide product promotion and logistics services for Parent company SAF Tehnika in North America market. SAF Services, 50% owned subsidiary in USA, established with the aim to provide network building and network management services had built successfully its first trial network, but was not able to get return from this investment.

The consolidated non-audited net profit of the Group for the fourth quarter of 2013/14 financial year was 699 thousand EUR, being by 678 thousand EUR more than for the quarter year before.

The Group's unaudited consolidated net profit for the 12 months of 2013/14 financial year was 119 thousand EUR.

The Group's net cash flow for the 12 month period of the financial year was positive – 1.27 million EUR. As of June 30, 2014, the Group carried a net cash balance (excluding interest bearing liabilities) of 4.07 million EUR. Cash flow was positively impacted by compensation received in March 2014 from the State Guarantee Agency according to an export credit guarantee agreement. Compensation (520 thousand USD) was paid for equipment delivered to Brazilian partner, who purchased SAF's equipment for implementation of the Brazilian TV broadcast network building project and has not paid for it. SAF's equipment was purchased in December 2012.

### **Market overview**

SAF Tehnika is observing a relatively calm and stable conditions on radio market. There are certain increases and drops of demand across the spectrum of customer segments, but overall there are no signs of caution in foreseeable future.

There is a definite growth of demand for radio systems able to provide or grow into providing higher capacity to the user. This is increasingly shaping product development directions of both SAF Tehnika and other players on the market.

### **Guidance**

SAF Tehnika is the company with the long-term competence in the market niche of microwave radio, capable to deliver excellent quality products for general market and differentiating developing customer tailored solutions. The Group is financially stable and capable to withstand economic turmoil in the situation when others fail. The task for Group is to continue development of next generation wireless data transmission devices with focus on functionality, product cost reduction, customer satisfaction and efficient production and internal operations. The goal is to regain sales levels which ensures positive net result in a long-term. Due to intense competitive pressure the Board of the SAF Tehnika cannot provide certain prognosis for sales figures and operational results despite positive results of the reporting quarter.

On June 30, 2014 the Group employed 170 people (164 people on June 30, 2013).

## KEY indicators

	Q4 2013/14	Q4 2012/13	Q4 2011/12
	EUR	EUR	EUR
Net Sales	3 460 339	3 342 524	3 149 207
Earnings before interest, taxes and depreciation (EBITDA)	805 647	188 768	-169 652
<i>share of the turnover %</i>	23%	6%	-5,4%
Profit/loss before interest and taxes (EBIT)	706 225	88 382	-75 088
<i>share of the turnover %</i>	20%	3%	-2%
Net Profit	699 150	21 113	53 723
<i>share of the turnover %</i>	20%	1%	2%
Total assets	12 024 261	12 205 581	12 307 299
Total Owners equity	10 322 682	10 203 336	10 668 195
Return on equity (ROE) %	6%	0%	0,44%
Return on assets (ROA) %	7%	0%	0,50%
Liquidity ratio			
Quick ratio %	240%	140%	115%
Current ratio %	378%	331%	268%
Earnings per share	0,235	0,01	0,02
Last share price at the end of period	1,62	2,00	1,72
P/E	6,88	281,36	95,65
Number of employees at the end of reporting period	170	164	162

## Consolidated Statement of Financial Position

As of June 30, 2014

	Note	30.06.2014	30.06.2013
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>4 082 555</b>	<b>2 809 088</b>
<b>Short-term investments</b>	<b>1</b>	<b>0</b>	<b>590 581</b>
<b>Customer receivables</b>	<b>2</b>		
Accounts receivable		2 261 906	3 188 084
Due from joint venture		44 393	0
Allowance for uncollectible receivables		-369 288	-551 706
<b>Total</b>		<b>1 937 011</b>	<b>2 636 378</b>
<b>Other receivables</b>			
Other current receivables	<b>3</b>	226 408	237 415
Short-term loans	<b>4</b>	180 000	359 999
<b>Total</b>		<b>406 408</b>	<b>597 414</b>
<b>Prepaid expenses</b>			
Prepaid taxes		71 257	205 198
Other prepaid expenses		115 456	131 408
<b>Total</b>		<b>186 713</b>	<b>336 606</b>
<b>Inventories</b>	<b>5</b>		
Raw materials		1 011 864	1 409 874
Work-in-progress		1 801 844	1 824 512
Finished goods		1 672 000	858 305
Prepayments to suppliers		27 778	24 761
<b>Total</b>		<b>4 513 486</b>	<b>4 117 452</b>
<b>TOTAL CURRENT ASSETS</b>		<b>11 126 173</b>	<b>11 087 519</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Equity-accounted investments		16 323	10 106
Investments in other companies		1 188	1 188
Long-term receivables	<b>2</b>	53 526	64 403
Deffered income tax		85 263	141 707
<b>Total</b>		<b>156 300</b>	<b>217 404</b>
<b>NON-CURRENT physical assets</b>	<b>6</b>		
Plant and equipment		3 283 390	3 251 299
Other equipment and fixtures		1 881 478	1 852 464
Accumulated depreciation		-4 631 429	-4 406 274
Other long-term assets		178	108 315
<b>Total</b>		<b>533 617</b>	<b>805 804</b>
<b>Intangible assets</b>	<b>6</b>		
Purchased licenses, trademarks etc.		203 722	94 854
Other long-term intangible assets		4 449	0
<b>Total</b>		<b>208 171</b>	<b>94 854</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>898 088</b>	<b>1 118 062</b>
<b>TOTAL ASSETS</b>		<b>12 024 261</b>	<b>12 205 581</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutions		6 781	14 213
Customer prepayments for goods and services		216 089	97 851
Accounts payable	<b>7</b>	826 486	1 163 714
Tax liabilities	<b>8</b>	118 342	112 865
Salary-related accrued expenses	<b>9</b>	413 657	423 828
Provisions for guarantees		14 643	40 936
Deferred income		105 581	184 587
Prepaid revenue		0	5 187
<b>TOTAL CURRENT LIABILITIES</b>		<b>1 701 579</b>	<b>2 002 245</b>
<b>OWNERS' EQUITY</b>			
Share capital		4 226 185	4 226 185
Paid in capital over par		2 851 726	2 851 726
Retained earnings		3 125 599	3 167 593
Net profit for the financial year		118 672	-42 116
Currency translation reserve		500	-50
<b>TOTAL OWNERS' EQUITY</b>		<b>10 322 682</b>	<b>10 203 336</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>12 024 261</b>	<b>12 205 581</b>

### Consolidated Statement of Profit or Loss for 12 month of the financial year 2013/2014

	<b>Note</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
		<b>EUR</b>	<b>EUR</b>
Net sales	<b>10</b>	12 025 751	13 341 172
Other operating income		314 433	84 665
<b>Total income</b>		<b>12 340 184</b>	<b>13 425 837</b>
Direct cost of goods sold or services rendered		-6 572 503	-7 488 799
Marketing, advertising and public relations expenses		-503 989	-749 503
Bad receivables	<b>11</b>	137 302	-131 721
Operating expenses		-1 165 265	-1 252 550
Salaries and social expenses	<b>12</b>	-3 183 613	-3 076 344
Bonuses and social expenses	<b>12</b>	-197 566	-204 121
Depreciation expense		-415 838	-408 380
Other expenses		-148 342	-85 858
<b>Operating expenses</b>		<b>-12 049 814</b>	<b>-13 397 276</b>
<b>EBIT</b>		<b>290 370</b>	<b>28 561</b>
Financial income (except ForEx rate difference)		35 114	55 778
Foreign exchange +gain/(loss)		-141 779	-88 289
<b>Financial items</b>		<b>-106 665</b>	<b>-32 512</b>
Share of profit/(loss) of equity-accounted investees		-27 102	-23 451
<b>EBT</b>		<b>156 603</b>	<b>-27 402</b>
Corporate income tax		-37 931	-14 714
<b>Profit after taxes</b>		<b>118 672</b>	<b>-42 116</b>
<b>Net profit</b>		<b>118 672</b>	<b>-42 116</b>

\*Earnings per share

EPS 30.06.2014. = 0.03 EUR

EPS 30.06.2013. = -0.01 EUR

## Consolidated Statement of Profit or Loss for Q4 of the financial year 2013/2014

	30.06.2014	30.06.2013
	EUR	EUR
Net sales	3 460 339	3 342 524
Other operating income	296 856	55 149
<b>Total income</b>	<b>3 757 195</b>	<b>3 397 673</b>
Direct cost of goods sold or services rendered	-1 774 016	-1 866 751
Marketing, advertising and public relations expenses	-132 370	-169 215
Bad receivables	92 089	7 847
Operating expenses	-256 255	-342 189
Salaries and social expenses	-772 149	-773 428
Bonuses and social expenses	-93 106	-19 466
Depreciation expense	-99 422	-100 386
Other expenses	-15 741	-45 703
<b>Operating expenses</b>	<b>-3 050 970</b>	<b>-3 309 291</b>
<b>EBIT</b>	<b>706 225</b>	<b>88 382</b>
Financial income (except ForEx rate difference)	15 843	11 602
Foreign exchange +gain/(loss)	26 872	-35 876
<b>Financial items</b>	<b>42 715</b>	<b>-24 275</b>
Share of profit/(loss) of equity-accounted investees	<b>-11 859</b>	<b>-40 412</b>
<b>EBT</b>	<b>737 081</b>	<b>23 695</b>
<b>Corporate income tax</b>	<b>-37 931</b>	<b>-2 583</b>
<b>Net profit</b>	<b>699 150</b>	<b>21 113</b>

\*Earnings per share

EPS 30.06.2014. = 0.17 EUR

EPS 30.06.2013. = 0.00 EUR

## Consolidated cash flow statement for 12 months of the financial year 2013/14

	30.06.2014	30.06.2013
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>735 285</b>	<b>-172 875</b>
Cash received from customers	13 304 025	12 816 206
Cash paid to suppliers and employees	-12 729 974	-13 030 814
Paid/Received VAT, corporate income tax	161 234	41 733
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>259 845</b>	<b>1 776 061</b>
Investment in equity-accounted investees	-27 589	0
Cash paid/received for short-term investments	590 581	2 053 674
Cash paid for purchasing non-current physical assets	-313 622	-325 599
Interest received	10 475	47 986
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>282 269</b>	<b>-683 734</b>
Repayment of short-term loans	172 568	6 407
Repayment of long-term loans	0	27 006
Cash paid of short-term loans	0	-360 000
Cash received from EU funds	109 701	65 472
Dividends paid	0	-422 619
<b>Effects of exchange rate changes</b>	<b>-4 142</b>	<b>-1 033</b>
<b>TOTAL CASH FLOW:</b>	<b>1 273 258</b>	<b>918 419</b>
Cash and cash equivalents as at the beginning of period	2 809 297	1 890 669
Cash and cash equivalents as at the end of period	4 082 555	2 809 088
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1 273 258</b>	<b>918 419</b>

### Statement of changes in consolidated equity for the 12 months period ended June 30 2014

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2012</b>	<b>4 226 185</b>	<b>2 851 725</b>	-	<b>3 590 211</b>	<b>10 668 195</b>
Dividend relating to 2010/2011	-	-	-	<b>-422 619</b>	<b>-422 619</b>
Currency translation difference	-	-	<b>-122</b>	-	<b>-122</b>
Loss for the year	-	-	-	-41 994	<b>-41 994</b>
<b>As at 30 June 2013</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>-50</b>	<b>3 125 599</b>	<b>10 203 460</b>
Currency translation difference	-	-	550	0	<b>550</b>
Profit for the period	-	-	-	<b>118 672</b>	<b>118 672</b>
<b>As at 30 June 2014</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>500</b>	<b>3 244 271</b>	<b>10 322 682</b>



## Notes for interim report

### Note 1 Short-term investments

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Short-term investments	<u>-</u>	<u>590 581</u>

Short-term investments consist of deposits with a maturity period of more than 90 days. The Group had not deposits on June 30, 2014.

### Note 2 Customer receivables

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Long-term receivables</b>	53 526	64 403
Accounts receivable	2 261 906	3 188 084
Due from joint venture	44 393	-
Provisions for bad and doubtful accounts receivable	(369 288)	(551 706)
<b>Total accounts receivable</b>	<u>1 937 011</u>	<u>2 636 378</u>
<b>Total receivables</b>	<u>1 990 537</u>	<u>2 700 781</u>

Total receivables decreased by 26% comparing with the previous year reflecting decreased sales volumes. Provisions for doubtful accounts receivable decreased by 33% or 182 thousand EUR as bad debts were regained. Calculations of provisions for bad and doubtful accounts were done according to the Group's provision calculation policy.

### Note 3 Other current receivables

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Other current receivables	<u>226 408</u>	<u>237 415</u>

Other current receivables include the amounts of calculated co-financing from EU funds for ongoing product development projects. Co-financing is assigned via competence center "LEO pētījumu centrs"(LEO) and will be received when project documentation and results are reviewed and accepted by project sponsor.

### Note 4 Loans

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Short-term loans	<u>180 000</u>	<u>359 999</u>

The Parent granted a loan to related party SIA Namīpašumu pārvalde based on a loan agreement. The loan was repaid in installments, not paid amount on June 30, 2014 was EUR 180 000. The remaining part was paid in full on maturity on July 31, 2014.

### **Note 5 Inventories**

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	1 554 312	2 086 436
Allowance for slow-moving items	(542 448)	(676 562)
Work-in- progress	1 801 844	1 824 512
Finished goods	1 672 000	858 305
Prepayments to suppliers	27 778	24 761
	<b>4 513 486</b>	<b>4 117 452</b>

Inventories in comparison with June 30, 2013 increased by 9.6%. The main increase is in finished goods stock as not all produced goods were delivered on June 30, 2014.

The Group is keeping inventory reserves in order to be able to produce orders in competitive terms for products currently being in the Group's product list. Group also keeps components for previously produced and sold product types for repair and maintenance purpose.

### **Note 6 Non-current assets**

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	3 283 390	3 251 299
Other equipment and fixtures	1 881 478	1 852 464
Accumulated depreciation	(4 631 429)	(4 406 274)
Other long term assets	178	108 315
	<b>533 617</b>	<b>805 804</b>
Purchased licenses, trademarks etc.	203 722	94 854
Other long term intangible assets	4 449	-
	<b>208 171</b>	<b>94 854</b>

The Group invested 346 thousand EUR in 12 months of FY 2013/2014 – mainly in IT, production equipment and product certification.

### **Note 7 Accounts payable**

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Accounts payable	<b>826 486</b>	<b>1 163 714</b>

Accounts payable has decreased by 29% as an effect from sales decrease.

### **Note 8 Tax liabilities**

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Tax liabilities	<b>118 342</b>	<b>112 865</b>

### Note 9 Salary-related accrued expenses

	30.06.2014 EUR	30.06.2013 EUR
Salary-related accrued expenses	413 657	423 828

Salary related accrued expenses decreased by 10 thousand EUR comparing June 30, 2014 and June 30, 2013.

### Note 10 Segment information

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house - CFIP and Freemile (Ethernet/Hybrid/ superPDH systems), *Integra* (Integrated carrier-grade Ethernet microwave radio), *Spectrum Compact* (measurement tools for radio engineers) as the first structural unit and 3<sup>rd</sup> party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

**CFIP** –product line is represented by:

- a split mount PhoeniX hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- CFIP-108 entry level radio - perfect for upgrade of E1 networks into packet data networks;
- Marathon FIDU low frequency low capacity system for industrial applications and rural telecom use.

**Freemile** 17/24, an all outdoor hybrid radio system to be used in 17 and 24 GHz unlicensed frequency bands and providing Ethernet/E1 interfaces for user traffic

All CFIP radios are offered in most widely used frequency bands from 300MHz to 38 GHz, thus enabling the use of CFIP radios all across the globe. PhoeniX radio represents the type of microwave radio which is still dominating market share point of view.

**Integra** – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

**Spectrum Compact** is the latest product line in SAF's portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 12month of the financial year 2013/14 and financial year 2012/13.

	CFM; CFIP; FreeMile		Other		Total	
	2013/14 EUR	2012/13 EUR	2013/14 EUR	2012/13 EUR	2013/14 EUR	2012/13 EUR
<b>Segment assets</b>	<b>5 602 757</b>	<b>5 837 993</b>	<b>1 636 326</b>	<b>2 154 215</b>	<b>7 239 083</b>	<b>7 992 208</b>
Undivided assets					4 785 178	4 213 373
<b>Total assets</b>					<b>12 024 261</b>	<b>12 205 581</b>
<b>Segment liabilities</b>	<b>1 078 222</b>	<b>1 362 654</b>	<b>270 629</b>	<b>384 553</b>	<b>1 348 851</b>	<b>1 747 207</b>
Undivided liabilities					352 728	255 038
<b>Total liabilities</b>					<b>1 701 579</b>	<b>2 002 245</b>
<b>Net sales</b>	<b>9 469 940</b>	<b>9 870 678</b>	<b>2 555 811</b>	<b>3 470 494</b>	<b>12 025 751</b>	<b>13 341 172</b>
<b>Segment results</b>	<b>2 466 977</b>	<b>2 371 527</b>	<b>1 018 709</b>	<b>1 373 648</b>	<b>3 485 686</b>	<b>3 745 175</b>
Undivided expenses					-3 195 316	-3 716 615
<b>Profit from operations</b>					<b>290 370</b>	<b>28 560</b>
Other income					35 114	55 778
Financial income/expenses, net					-141 779	-88 289
Share of profit/(loss) of equity-accounted investees					-27 102	-23 451
<b>Profit before taxes</b>					<b>156 603</b>	<b>-27 402</b>
Corporate income tax					-37 931	-14 714
<b>Profit after taxes</b>					<b>118 672</b>	<b>-42 116</b>
<b>Net profit</b>					<b>118 672</b>	<b>-42 116</b>
<b>Other information</b>						
Additions of property plant and equipment and intangible assets	127 630	120 146	0	0	127 630	120 146
Undivided additions					230 075	257 447
<b>Total additions of property plant and equipment and intangible assets</b>					<b>357 705</b>	<b>377 593</b>
Depreciation and amortization	142 509	191 329	1 119	2 574	143 628	193 903
Undivided depreciation					272 210	214 477
<b>Total depreciation and amortization</b>					<b>415 838</b>	<b>408 380</b>

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2013/14 and financial year 2012/13.

	<b>Net sales</b>		<b>Assets</b>	
	<b>2013/14</b>	<b>2012/13</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Americas	5 337 085	5 654 300	818 659	1 256 810
Europe, CIS	4 617 586	4 537 193	944 897	653 008
Asia, Africa, Middle East	2 071 080	3 149 679	226 982	790 963
	<b>12 025 751</b>	<b>13 341 172</b>	<b>1 990 537</b>	<b>2 700 781</b>
Unallocated assets	-	-	10 033 724	9 504 800
	<b>12 025 751</b>	<b>13 341 172</b>	<b>12 024 261</b>	<b>12 205 581</b>

**Note 11 Bad receivables**

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Bad receivables	<b>137 302</b>	<b>(131 721)</b>

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts where probability not to receive payment is high, although agreed payment term has not come yet. The Group has managed to regain customer's debts who were substantially delayed thus decreasing calculated provisions.

**Note 12 Salaries, bonuses and social expenses**

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	(3 183 613)	(3 076 344)
Bonuses and social expenses	(197 566)	(204 121)
	<b>(3 381 179)</b>	<b>(3 280 465)</b>

Salaries and social expenses, in comparison with the 12 months period of the previous financial year were increased by 3.49% reflecting increase in fixed salaries for key specialists. Bonuses were paid as specific financial and development targets were reached.